REVIEW OF ACTIVITIES OF DEPARTMENT OF MEDICINE AND SURGERY, THE SPECIAL MEDICAL ADVISORY GROUP, THE GENERAL POST FUND AND THE VETERANS' CANTEEN SERVICE, VETERANS' ADMINISTRATION

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

OF THE

COMMITTEE ON VETERANS' AFFAIRS HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

MAY 12, 1982

Serial No. 97-66

Printed for the use of the Committee on Veterans' Affairs

U.S. GOVERNMENT PRINTING OFFICE
95-009 O WASHINGTON : 1982

H761-26

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CONTENTS

MAY 12, 1982

Review of activities of Department of Medicine and Surgery, the Special Medical Advisory Group, the General Post Fund and the Veterans' Canteen Service, Veterans' Administration ..... Page 1

STATEMENTS OF MEMBERS OF CONGRESS

Chairman Montgomery 1
Hon. Harold S. Sawyer 3

WITNESSES

Custis, Dr. Donald L., Chief Medical Director, Veterans' Administration, accompanied by Dr. Albert J. Aaronian, Assistant Chief Medical Director for Dentistry, Joseph P. Travers, Director, Resource Management, Department of Medicine and Surgery, Walter A. Nelson, Director, Veterans' Canteen Service, Dr. David Worthen, Assistant Chief Medical Director for Academic Affairs, Marjorie Quandt, Assistant Chief Medical Director for Administration, Dr. Hollis Boren, Assistant Chief Medical Director for Research and Development, and Frank Granito, Chief, Real Estate Division, Office of Construction 4
Prepared statement of Dr. Custis 23
Schmidt, Dr. Richard P., Chairman, Special Medical Advisory Group 6
Prepared statement of Dr. Schmidt 43

REVIEW OF ACTIVITIES OF DEPARTMENT OF MEDICINE AND SURGERY, THE SPECIAL MEDICAL ADVISORY GROUP, THE GENERAL POST FUND AND THE VETERANS' CANTEEN SERVICE, VETERANS' ADMINISTRATION

WEDNESDAY, MAY 12, 1982.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 8:30 a.m., in room 334, Cannon House Office Building, Hon. G. V. (Sonny) Montgomery (chairman of the subcommittee) presiding.

Present: Representatives Montgomery, Leath, Stump, Won Pat, Hillis, and Sawyer.

OPENING STATEMENT OF CHAIRMAN MONTGOMERY

Mr. MONTGOMERY. Good morning. The subcommittee will come to order.

We are meeting this morning, as part of our oversight responsibilities, to review the activities of the Veterans' Administration which are within the jurisdiction of the Committee on Veterans' Affairs.

Title 38 of the United States Code contains the laws which prescribe the duties and responsibilities of the Chief Medical Director in administrating the functions of the Department of Medicine and Surgery. We have asked the Chief Medical Director to provide us with information concerning certain of these activities.

He will review the activities of the Special Medical Advisory Group; the status of the implementation of Public Law 96-330, section 115, relating to the composition of the Deans' committees and the status of plans to monitor the affiliations of medical schools and Veterans' Administration hospitals; the impact of Public Laws 96-22 and 97-35 upon the VA dental services program; and review the service and fiscal performance of the Veterans' Canteen Service and the general post fund.

The special medical advisory group is composed of members of the medical, dental, podiatric, optometric, and allied scientific professions and a disabled veteran. Group members are nominated by the Chief Medical Director and their duties are to advise the Administrator of Veterans' Affairs, through the Chief Medical Director, relative to the care and treatment of veterans and other mat-

ters pertinent to the Department of Medicine and Surgery. They meet on a regular basis as prescribed by the Administrator and must submit no later than February 1 of each year a report on their activities during the preceding fiscal year.

Dr. Richard P. Schmidt, chairman of the Special Medical Advisory Group, will advise us of their recent activities.

Pursuant to law, in each case where the Administrator has a contract or agreement with any school or institution of higher learning, the Administrator is required to establish a Medical Advisory Committee, known as a Deans' committee, to advise the Administrator and the Chief Medical Director with respect to policy matters. Testimony received from the National Association of VA Physicians and others expressed concern about the dominance of the Deans' committees over personnel and policy matters affecting VA hospitals. As a result, Public Law 96-330 required that a full-time VA employee be on the Deans' committees of each affiliated medical school. The Chief Medical Director, on February 4, 1980 in testimony before our former subcommittee on medical facilities and benefits (presently hospitals and health care), advised the committee that he was monitoring the affiliation of medical schools and VA hospitals, and we will learn today what he has discovered about such affiliations.

Public Law 96-22 expanded eligibility for VA outpatient dental care to veterans who were prisoners-of-war for more than 6 months and veterans with 100 percent service-connected disability ratings. Additionally, Public Law 97-35 requires that applications for outpatient dental benefits must be made within 3 months of discharge from service, instead of the previous 1 year period. We want to know how these two laws have affected the VA dental program.

The general post fund consists of nonappropriated funds available to each VA medical center. These funds are provided by donation from individuals, private foundations, corporations or other organizations such as the American Cancer Society or the American Heart Association. The funds are used for the benefit of persons who are patients or residents of VA hospitals and homes. We have been told that the largest source of general post funds for research are the major drug companies which often provide such monies for research on the effects of new or investigational drugs.

The Veterans' Canteen Service was created for the primary purpose of making available to veterans of the Armed Forces who are hospitalized or domiciled in VA hospitals and homes at reasonable prices articles of merchandise and services essential to their well-being. We are interested today in the service provided and the fiscal performance of the general post fund and the Veterans' Canteen Service.

I would like to advise my colleagues at this time that Mr. Walter A. Nelson, Director of the Veterans' Canteen Service, is retiring on May 14, 1982 after 40 years of service to the Government. His career has been illustrious, and his management skills have enabled the Veterans' Canteen Service to show a better cash flow and productivity index than such major wholesale/retail firms as Sears, Ward's, and J. C. Penney. That's quite an achievement, and I want to commend him for a job well done.

The Chair would like to recognize Mr. Sawyer, who is always in attendance. Do you have any comments before we begin this oversight hearing?

STATEMENT OF HON HAROLD S. SAWYER A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. SAWYER. Thank you, Mr. Chairman.

I am pleased that our Oversight Subcommittee is meeting this morning to consider various matters at the Veterans' Administration. I am particularly pleased that we will receive testimony from Dr. Custis and Dr. Richard Schmidt with respect to affiliations by the Department of Medicine and Surgery with the Nation's medical schools. It has long been my belief that these affiliations have been of immeasurable assistance to VA in assuring high-quality medical care.

I am also pleased that we are going to hear this morning about the composition of Deans' committees and how such committees are working. I recall some time ago that suggestions were made to have representatives of veterans organizations on such committees. There was a belief that this would improve the communications at all levels. I trust that Dr. Custis will speak to this issue in his prepared testimony.

Mr. Chairman, I want to join you in paying tribute to Mr. Walter Nelson, the Director of the VA Canteen Service. As Mr. Nelson retires, he can take with him certain knowledge that he has served the Government in an extremely capable way. He has matched or bettered the cash flow of such organizations as Sears and other very prominent ones, so he obviously has done a very outstanding job.

Thank you, Mr. Chairman.

Mr. MONTGOMERY. Thank you, sir.

Maybe the military should take him in as a consultant and work on their canteen problems——

Mr. SAWYER. Or on our budget. [Laughter.]

Mr. MONTGOMERY. Right. We really need him there.

Mr. Won Pat, do you have any comments that you or Mr. Stump would like to make? I appreciate you both being here. I can always depend on both of you.

Mr. WON PAT. I have no comment except, of course, to join you as well as Mr. Sawyer in your very fine statement.

Mr. MONTGOMERY. Thank you, sir.

Mr. STUMP. No comments, Mr. Chairman.

Mr. MONTGOMERY. Dr. Custis, the Chair would like to recognize you. I said here in my statement we were old friends. We're not real old, but just real good, close friends. It is certainly nice to have you here. You have been very cooperative in working with our committee and have made our job much easier by cooperating with us.

Of course, all we are trying to do is the best for the veteran and see that he or she gets the proper medical care, and that is your responsibility, and we will work with you in any way we can.

Your full statement will be put in the record, and you may proceed to summarize it or however you would like, Dr. Custis. Welcome to the committee.

STATEMENT OF DONALD L. CUSTIS, M.D., CHIEF MEDICAL DIRECTOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY DR. ALBERT J. AARONIAN, ASSISTANT CHIEF MEDICAL DIRECTOR FOR DENTISTRY; JOSEPH P. TRAVERS, DIRECTOR, RESOURCE MANAGEMENT, DEPARTMENT OF MEDICINE AND SURGERY; WALTER A. NELSON, DIRECTOR, VETERANS' CANTEEN SERVICE; DR. DAVID WORTHEN, ASSISTANT CHIEF MEDICAL DIRECTOR FOR ACADEMIC AFFAIRS; MS. MARJORIE QUANDT, ASSISTANT CHIEF MEDICAL DIRECTOR FOR ADMINISTRATION; DR. HOLLIS BOREN, ASSISTANT CHIEF MEDICAL DIRECTOR FOR RESEARCH AND DEVELOPMENT; AND FRANK GRANITO, CHIEF, REAL ESTATE DIVISION, OFFICE OF CONSTRUCTION

Dr. CUSTIS. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, we are pleased to be here this morning. With me, starting on the right, is, as you know, Mr. Joe Travers, the Director of the D.M. & S. budget, Dr. Richard Schmidt, the chairman of SMAG, Dr. Al Aaronian, Chief of the VA Dental Service, and Mr. Walter Nelson. We join you in your congratulation to Walt, and would also like for the record to tell you that he has just received the Distinguished Career Award.

We are here to discuss the Special Medical Advisory Group, (SMAG), our affiliated education programs, the dental program, the Canteen Service, and the General Post Fund.

First, you have requested testimony regarding the Special Medical Advisory Group. Dr. Schmidt, the chairman of SMAG, is presenting testimony to the committee, so I will defer to him on the discussion of SMAG activities.

Mr. Chairman, you also requested testimony regarding affiliation programs and specifically our progress in adding representatives of the full-time VA medical staff to our Deans' advisory committees. The Deans' committees continue to be a valuable advising group in the management of VA-affiliated education programs. The problems which we encounter with the Dean's advisory committees are those of any partnership. In the affiliated environment, there are conflicting goals and interests that have to be mutually undertaken and accommodated. We believe that the consideration and resolution of conflicting goals is evidence of a healthy environment where two partners with different missions must cooperate for a common good.

I am committed to continue to exert whatever management direction is required to assure that these committees and our affiliations function as intended.

Section 115 of Public Law 96-330 required that advisory committee membership include an "appropriate representation from the full-time staff." Last year, 123 full-time VA staff members were appointed to the 110 Deans' committees at VA facilities. Further analysis of the current total will be made next month when the annual report on Deans' committee membership is sent to central office after that survey. We will follow up individually with those

VA facilities whose Deans' committees do not, as yet, have full-time staff members appointed.

Dentistry in the VA is probably the largest hospital-based dental health care program in the world. In the VA system, health care for hospitalized veterans includes needed dental care. In addition, certain categories of veterans have been granted eligibility for dental treatment on an outpatient basis. Prior to 1979, the total number of applicants for outpatient dental care was gradually declining, and then Public Law 96-22 created new categories of dental beneficiaries, including ex-prisoners of war incarcerated for more than 180 days, and veterans with service-connected disabilities totaling 100 percent—including those deemed 100 percent service connected by virtue of unemployability. As a result of this act, approximately 330,000 additional veterans became eligible for unlimited outpatient dental care.

The additional workload resulting from this act necessitated a greater use of fee-basis care. This workload came at a time when much emphasis was being placed on decreasing our fee-basis program. Even with the dramatic increase of applications resulting from Public Law 96-22, the VA dental staff has generally kept pace by increasing their productivity. We intend to continue our efforts in this regard.

However, there is a saturation point at which we compromise our obligations to hospitalized veterans and other institutionalized veterans that rely on VA dental care. Public Law 96-22 also imposed a cap of $45 million on our dental fee-basis program. The increase in applications resulting from Public Law 96-22 required that the cap be exceeded in fiscal year 1980 and fiscal year 1981. We anticipate that we will be able to provide the care needed within the framework of the established cap in fiscal year 1982.

Mr. Chairman, you also requested testimony regarding the impact of Public Law 97-35. Since this act became effective on October 1, 1981, our experience is limited and a thorough analysis of its impact is not possible at this time.

The Veterans' Canteen Service has been an important part of the VA medical system since 1946. Prior to that time, privately owned concessionaire operations ran a type of canteen service for patients in some medical centers. This arrangement was far from satisfactory. As a result, the Veterans' Canteen Service was established in 1946 by Public Law 97-636. My formal statement details current Canteen Service operations, management improvements, and problem areas.

I will summarize briefly by stating that I view the Canteen Service as essential for effective and efficient hospital functioning. The Canteen Service functions without appropriations or without subsidy of operating costs, and the Canteen Service revolving fund is in good financial condition.

Mr. Chairman, General Post Fund accounts are authorized at each VA medical center, domiciliary, nursing home or clinic activity for the benefit of veterans receiving care at such facilities. The source of revenue for operation of the General Post Fund is from donations by individuals or service organizations and corporations. Donations at each facility are identified as general purpose or earmarked in conformance with the donor's general or specific ear-

95-009 O—82——2

marked designation. My formal statement details the financial status of the fund and describes certain of its functional aspects.

During the past year, we have taken steps to improve the handling of General Post contributions for research projects. My formal statement details our current policy in this regard.

Mr. Chairman, that concludes my remarks. My colleagues and I will be pleased to respond to any questions you may have regarding these matters.

[The prepared statement of Dr. Custis appears at p. 23]

Mr. MONTGOMERY. Thank you, Dr. Custis.

Before we ask questions, we would like to hear from Dr. Schmidt, if you have no objections. Dr. Schmidt is president of the State University of New York, the Upstate Medical Center. Dr. Schmidt, we appreciate you being here and also being on this Medical Advisory Group. I have received your report. So we would like to hear from you at this time.

STATEMENT OF DR. RICHARD P. SCHMIDT, CHAIRMAN, SPECIAL MEDICAL ADVISORY GROUP

Dr. SCHMIDT. Thank you, Mr. Montgomery, and members of the committee.

I have served on the Special Medical Advisory Group now in two capacities, first as a member of SMAG, and I am currently the chairman, and previously I also chaired the Subcommittee on Academic Affairs, which is one of our regular standing committees.

With the reestablishment, in essence, of the Special Medical Advisory Group by law, we have taken this to represent somewhat of a new mandate in terms of our relationship to Congress since we are required to submit annually a report. Also, since there is now a disabled veterans' representative on SMAG, this gives us a new relationship to veterans and veterans' organizations.

We have our meetings scheduled for twice a year. We have missed a couple of these. The first one was when the legal status of SMAG was in question, until the law was passed establishing its authority, and again last year when there was some budgetary questions about paying for the meeting.

We have, however, continued our activities in forming subcommittees or recommending or working with task forces or working with groups of the VA on certain of the concerns of SMAG. One of these, which I outline and which I have submitted to both the Senate and the House Committee on Veterans' Affairs, has to do with the very sensitive issue of eligibility. This has concerned the Special Medical Advisory Group for a number of years and we requested that the study be updated to 1981, and this was submitted again in December 1981.

Before submitting this, it was discussed with the Chief Medical Director, with the Administrator of Veterans' Affairs, and also with representatives of veterans' organizations. It was submitted, however, by SMAG and, to my knowledge, neither the Administrator nor the Chief Medical Director has taken an official view on this study. I think it presents the complexity of the entitlement eligibility problem for veterans health care or medical care, and also

the need for this to be somewhat simplified, at least, so that each can know what individual is eligible in terms of care.

If everyone who was potentially eligible in this sought care from the VA, it obviously would be a tremendous load. We have met with the staff on this and have been willing to do this again. Dr. Richard Ryan, who is a member of SMAG and the Disabled Veterans' representative, provided liaison with the committee, which was chaired by Mr. Calvin Chandler, who came back from retirement in order to accomplish this task.

We also have an active task force on affiliations which does not, however, take over the job of our standing committee on academic affairs. This is chaired by Dr. Matthew McNulty, a member of SMAG, and chancellor of the Georgetown University Medical Center. We hope to have a comprehensive report from this group at our next meeting in the fall of 1982. They are working hard at present in defining the nature of affiliation and the different types of affiliation and are assisting in making those definitions and statements which may assist the VA if the nature of affiliations is changed.

We have felt that the benefits of affiliation must be preserved. We recognize, however, that there are different strengths and levels of affiliation from one institution to the next.

At our last two meetings, we have reviewed the extensive planning effort which is now instituted through the Department of Medicine and Surgery, which is medical district initiated program planning, or MEDIPP. At the most recent meeting on January 28, 1982, Dr. Murray Mitts and Miss Quandt made a detailed presentation to us. We observed that there had been substantial progress since our previous report, that the goals that had been set in terms of dates had been exceeded or met, and it is also my understanding that this has been reviewed by the staff of the House Committee on Veterans' Affairs. We recognize that this is a process of great importance and we hope again to receive a progress report at the fall meeting.

We have a regular standing committee on research, which is currently chaired by Dr. Ernest M. Burgess of Seattle, an expert in prosthetics. This subcommittee reviews research policy, management, and general results, but does not serve as a review body for individual research projects within the VA.

The VA can be justly proud of its research program. However, we most recently have expressed concern over the reduction in budget to the research program and fear that it may further be effectively reduced by a requirement that intramural research funds be allocated by contract to external agencies. It is our feeling that VA research is intrinsic to its care mission and the latter may suffer if it is reduced.

I have not attempted in this brief statement to review all of the agenda of the special medical advisory group. We are advisory to the Administrator and Chief Medical Director, but have felt free to act independently and have not had any compunction placed upon us as to the areas we discuss or the questions we ask.

We will be pleased in the future to respond to concerns of the Committees on Veterans' Affairs of the House or Senate as to special subjects that might be addressed.

Mr. Chairman, it is a great honor for me to be here. I might say I almost took the wrong folder on my way out of my office. We have graduation coming up and I have missed the opportunity to confer upon all of you the degree of doctor of medicine with all the rights, privileges, and duties pertaining thereto. I might have done that had I brought the folder all the way.

[The prepared statement of Dr. Schmidt appears at p. 43.]

Mr. MONTGOMERY. We're not bashful. [Laughter.]

We would like to have those titles.

Dr. Schmidt, if I may refer to you first and set the stage for my colleagues here, I notice that you did complete a report of SMAG that reported on a recommendation on veterans' eligibility for medical care. Has any draft legislation or anything been done on recommendations on eligibility for medical care for veterans? I know we keep adding new criteria as to who is eligible and I know we have changed some areas of eligibility by law last year. I know there are a number of different colored cards signifying who gets priority, and there are a number of colored lines on the veterans' hospital floors so veterans know which line to follow.

Is that basically what your study or recommendations are? Are we doing OK or do we need some changes?

Dr. SCHMIDT. I have met and Dr. Ryan has also met with the staffs of both this committee and the Senate concerning questions on the task force report. I think there are further questions that are coming up now, both from the Senate and House sides, looking at this.

It is obviously a very sensitive area. The veterans' organizations I think are a little concerned—or more than a little concerned—that something for which the veteran is now eligible might be taken away if this is looked at too closely. It has been our feeling—of course, it goes without saying—that those who have injury or illness as a result of military service are the No. 1 priority for everything. That is there from day one.

From there on down, we had thought this should be looked at very closely to see if the laws could be clarified to determine who was eligible for what and under what circumstances other than those with service-connected disability. The potential, of course, on the presumed financial difficulty of those over 65, if millions of veterans who will be over 65 by 1990 should choose to utilize the system, it will be something of tremendous cost and a tremendous challenge to the system far beyond the current capability. So this was submitted to both the Senate and the House simultaneously on December 1 with a covering letter of comment from me as to the attitude of the special medical advisory group.

I don't believe the VA itself has taken an official stand. We have talked with Mr. Nimmo. We obviously have also talked with Dr. Custis.

Mr. MONTGOMERY. We agree that certainly the top priority patients would be those who have service-connected injuries. As I understand the law now, anyone over 65 years of age has a purple card or priority for medical care.

What you recommend there? You say we pick up millions in the next couple of years that will be over 65.

Dr. SCHMIDT. This must be studied in the context of those who will use the VA and other things available, including medicare benefits and personal insurance benefits, as opposed to the user of the VA. Most of the users of the VA, perhaps other than service-connected, are those who are destitute and do not have the money to purchase their own insurance or don't have insurance would be public charges for medical care whether they used the VA or not. I don't know what the proportion of those over 65 would be. Certainly those over 65 will have the eligibility of medicare plus supplemental insurance that they may have purchased. How that will balance out in putting together a package for our older population I think does deserve very close study.

I have forgotten how many millions it is, but the highest proportion of males over the age of 65 by 1990, at least about three-quarters, if I remember my figures, will be veterans, and may perceive themselves to be eligible for care through the Veterans' Administration without a means test.

Mr. MONTGOMERY. You are saying that three-fourths of all male Americans over 65 will be veterans?

Dr. SCHMIDT. Yes. I believe that is—that is round figures. I don't know the exact——

Mr. MONTGOMERY. What year would that be?

Dr. SCHMIDT (continuing). I believe it is 1990.

Dr. CUSTIS. I believe we're using the figure 60 percent.

Dr. SCHMIDT. Sixty percent? I was off only by 15 percent. For me, that's pretty good.

Mr. MONTGOMERY. It is still a large number.

Dr. SCHMIDT. Yes, it is.

Mr. MONTGOMERY. Let the record then show it is 60 percent, and you would buy that figure?

Dr. SCHMIDT. Certainly.

Mr. MONTGOMERY. Mr. Hillis.

Mr. HILLIS. Dr. Custis, I would like to address this question to you. Do you believe that SMAG is independent enough to criticize the VA medical program when it feels that it should?

Dr. CUSTIS. Yes, sir; I believe so. To believe otherwise would be a gross under estimation of the character of the combined personalities on SMAG. They are extremely well-informed, outstanding, nationally-known citizens who I doubt very much would permit any such restraint.

Mr. HILLIS. Dr. Schmidt, do you have any comment on that same question?

Dr. SCHMIDT. We have felt no constraint upon us. We have been critical of a number of areas in our sessions. Yet, we have tried to use it as constructive criticism and have not been factious particularly. But we have had no constraints placed on us that I know of. I think we consider ourselves an independent body. Our agenda is made up partially by ourselves and partially in consultation with people representing the Chief Medical Director or the Chief Medical Director himself. But we have not hesitated to include things that were not necessarily highly desirable.

For example, the task force report, in the creation of the task force on eligibility, was at our instance. We were not requested to ask for this task force.

Mr. HILLIS. Do you feel the VA is attendant enough to the recommendations that you do make or the criticism that you may offer in a so-called constructive manner, Doctor?

Dr. SCHMIDT. I think, within its ability to respond, we have found it to be very responsive and they have come back with answers or changes if they are indicated from our suggestions over the years.

SMAG, of course, goes back many, many years. I guess it was first called that in 1946, if I'm not mistaken. It has had many chairmen much more distinguished than I, whose names are famous in American medicine of this period, who have I think made very strong recommendations which have been acted upon.

Mr. HILLIS. Thank you. That's all the questions I have, Mr. Chairman.

Mr. MONTGOMERY. Thank you, Mr. Hillis.

I might point out to the members of the committee that they might inquire about dental, if they prefer, and also the canteen operations, to our other witnesses who are here.

Mr. WON PAT. No questions, Mr. Chairman.

Mr. MONTGOMERY. Mr. Sawyer.

Mr. SAWYER. I just find it kind of hard to believe that 75 percent of the male population over 65 will be veterans.

Dr. SCHMIDT. Of course, I think I had to go back to 60 percent because I erred in my memory. But I think those figures are hard.

Mr. SAWYER. They sound high to me.

Mr. MONTGOMERY. To get it correct in my own mind, too—and you agreed, Dr. Schmidt—I thought Dr. Custis said it would be 60 percent.

Dr. CUSTIS. This is after the year 1990.

Mr. MONTGOMERY. Sixty percent of all American males over 65 would be veterans after 1990. It is 60 percent, not 75.

Mr. SAWYER. Even that is surprisingly high.

Dr. Custis, I get the indication on page 6 of your testimony that there is likely to be a less positive affiliation program in the future; is that a correct inference?

Dr. CUSTIS. We would not choose to have this happen, Mr. Sawyer, but we have been in a decremental budget posture now for going on 5 years. We have supported out of medical care dollars the academic resource demand. As of a couple of years ago, it became very clear that we could no longer promote the emerging affiliations and satisfy the resource requirements of stengthening those emerging affiliations, most of which were an outgrowth of our health manpower grant program. We project that with the economic climate and the budgetary restrictions which are in prospect, that we may well—and this is one of the tasks that the SMAG Subcommittee on Affiliations has been asked to look at right now—that we may well find that in our need to identify priority programs and sacrifice low priority programs, that it just might catch some of the smaller and weaker affiliation programs.

We intend to maintain quality in our affiliations, and this may well be at the sacrifice of quantity.

Mr. SAWYER. Thank you, Doctor.

That is all I have, Mr. Chairman.

Mr. MONTGOMERY. Mr. Leath, any questions?

Mr. LEATH. No, Mr. Chairman.

Mr. MONTGOMERY. The Chair would like to recognize Mr. McDonell to ask some questions. Probably for the record we ought to find out more about the dental care.

I am glad to hear that in dental care you didn't have to add personnel, that you are able to take on the extra workload increased as a result of the ex-POW bill which this committee sponsored, which was H.R. 1100, giving dental care to those 100,000 ex-POWs' and also 100-percent disabled under the same law.

I hope you are doing most of that and not having to contract it out, Doctor, if that is possible.

Dr. AARONIAN. If I may, Mr. Chairman, I do have some figures which I would like to put into the record.

Mr. MONTGOMERY. All right.

Dr. AARONIAN. In 1976, by staff, we were completing some 40,800 cases in this particular category of outpatients. In the last 6 years—and these figures are based on 6 month's experience in 1982—we have turned this about completely by about 128 percent, and this fiscal year, and again based on 6 month's experience, we will be completing some 93,500 cases by staff and feeing out approximately 56,000. We are completing much more by staff than feeing out. That has come about at the direction of my office and, of course, under the direction of the Chief Medical Director. We will be coming in under the cap, as Dr. Custis stated in the opening statement.

Mr. MONTGOMERY. Thank you.

Mr. MCDONELL. Dr. Custis, if we could refer to the affiliation program, back on February 4, 1980, you stated before the committee that you were personally going to look into the affiliation program and resolve any difficulties that you discovered there. We recognize that there are over 100 affiliations between VA hospitals and medical schools.

We are wondering, what sort of management information devices or systems have you implemented to monitor the program and can you provide us with what experience you had in reviewing the affiliations?

Dr. CUSTIS. Since the time of that testimony, I don't believe we have implemented any additional monitoring systems. What we have in the way of on-line monitoring I think is effective.

I might ask Dr. Worthen if he has anything to add to that statement.

Dr. WORTHEN. May I use this microphone, sir?

Mr. MCDONELL. Please do.

Dr. WORTHEN. We monitor all of the affiliations through the Deans' Committees, through the minutes of each of their meetings, which are regularly sent to Central Office, and on a regular basis we raise questions about the activities that occur in those Deans' Committees.

I would say on an average, of those that I review each month, I request of the Deans' Committee information on at least 5 or 6 to find out exactly what is going on with the affiliations.

In addition, our office is in almost weekly if not daily contact with the various VA medical centers regarding the affiliation and the relationship. In addition, we have teams which make site visits to the affiliations, particularly if any questions arise. We have in-

formation that comes in from the medical inspector from our various studies internally about the various Deans' Committees. We have contact with these groups through our close contacts with the Association of American Medical Colleges and any information they might come up with. We attend the review of residency review committees on a regular basis, and if there are any questions raised there, or through their bulletins, we contact them.

So I think it is fair to say we have an ongoing and a very close relationship in the monitoring of these affiliations. As various members of our medical staff come to Central Office to talk, we surface any particular problems that are occurring and try to monitor these on a regular basis, as we do the composition of the Deans' Committee and the veterans' service representatives and the other components which are included in Dr. Custis' testimony.

Sir, is that responsive?

Mr. McDONELL. Yes. Thank you, Dr. Worthen.

Let me just continue for 1 minute on that. Do you feel, Dr. Custis, comfortable with the input you are now receiving and that the situations we heard about back 2 years ago are now insignificant?

Dr. CUSTIS. Yes, sir. I feel very comfortable.

I might say, with the magnitude of operation such as represented our 100 affiliations, that there is always going to be minor problems, almost exclusively interpersonal relationships, and these surface in many ways. Sometimes they come to us from Congressmen; sometimes they come from patients or service organizations representing patients.

I think since we last testified on the subject that issues involving poor interpersonal relationship is probably the main happening. At the time of our last testimony there were more generic problems occurring in a couple of schools that since have been resolved. In general, I think our affiliation relationships are very healthy.

Mr. McDONELL. Thank you, sir.

I would like to continue on and ask a series of questions, if I may, on the dental program, and either you or Dr. Aaronian can respond.

First, I would like to know, since the implementation of Public Law 96-22, what has the VA done to reduce the cost of the fee-basis dental care program?

Dr. AARONIAN. We have been much more restrictive with regard to nonservice connected treatment of the inpatients. As I stated in the figures which I quoted just previously, we have turned the program around. However, it had been turned around since 1976.

You must understand that with 200 facilities, it is not easy to turn the philosophy around. What we did was to revise our M-4 manual in compliance with the philosophy of Public Law 96-22 and we also have come out with a circular which again spells out the philosophy of Public Law 96-22 on being much more restrictive with regard to inpatient, nonservice connected treatment.

I think we have the program pretty well under control at the present time, providing no future congressional action is taken to extend eligibility for outpatient dental care to additional veterans.

Mr. McDONELL. That could happen.

In Dr. Custis' statement he mentions that you are having problems with the increased work load in the Sun Belt area where veterans who are retirees seem to be flocking. We would be interested in hearing what you are doing now to correct that situation as far as staff is concerned and plans for improving the facilities.

Dr. AARONIAN. We are at the present time doing something which we have never done before, and that is to reduce staff at one hospital and add additional staff at another hospital. Denver is the hospital in mind at the present time. As we can do this, we will be doing it more and more because obviously the workload is in the Sun Belt, especially with the Public Law 96-22 classifications articulated in Public Law 96-22.

Dr. CUSTIS. May I add to that, Mr. McDonell, this is an example of what MEDIPP should accomplish, an ongoing review and a response in terms of resource distribution to those reviews.

Mr. MCDONELL. Thank you, Doctor.

Dr. Aaronian, how many dental hygienists and dental auxiliaries do you have on the VA staff now as compared to, say, 1980?

Dr. AARONIAN. I don't believe that figure has fluctuated too much since 1980. We had approximately 1,100 auxiliaries, of which about 145 are hygienists.

Mr. MCDONELL. But you have increased the dentist staff itself during that period of time; is that correct?

Dr. AARONIAN. Not to any great extent, other than the new activations in which we have increased dentists and we also have increased dental assistants, and a few hygienists. But basically, I think the last time we added a large number of dentists was back in 1977 when we put additional staffing on to take care of the outpatient workload.

Mr. MCDONELL. I believe I read in a GAO report of about 2 years ago that they were criticizing you for not fully employing dental hygienists and auxiliaries, who are certainly less expensive to do certain jobs, and which suggested a cost-effective way of changing and getting more for your dollar.

Is your philosophy that you're going to try to increase the support staff?

Dr. AARONIAN. We certainly would hope to do that. We are going in that direction. Of course, with present budgetary constraints, that is not too realistic. But the philosophy is still in that direction, that we do need additional auxiliaries. We would be willing to utilize them in the capacity which you are expressing.

Mr. MCDONELL. You did give us some numbers on the fee-basis workload. I wonder, just so we would have some additional numbers, if I might ask you to provide for the hearing record the number of armed services personnel separations for fiscal year 1981 and the first 2 quarters of 1982, as well as the number of those class II veterans, which applied for dental treatment during that period of time.

Second, we would also like a list, by fiscal year, of the number of ex-POW's and 100 percent service-connected veterans who applied for dental treatment since the enactment of Public Law 96-22.

Dr. AARONIAN. We will provide that for the record, sir.

[Subsequently, the Veterans' Administration furnished the following information:]

The number of armed services personnel separated from active duty in fiscal year 1981 and the first two quarters of fiscal year 1982 as well as the number of Class II veterans who applied for dental treatment during that period of time are as follows:

	Number of separations	Class II applications
Fiscal year 1981	346,000	75,835
Fiscal year 1982 (6 months)	129,000	32,829

The VA data base does not contain information as to how many ex-POWs and 100 percent service-connected veterans "applied" for dental care since the enactment of Public Law 96-22. However, the following figures reflect the number of cases completed pertaining to those categories of veterans, which would closely approximate the number who applied:

	Ex-POW's interned for more than 180 days (class II(c))	100 percent service-connected (class IV)
Fiscal year 1980	3,829	31,223
Fiscal year 1981	7,265	48,947
Fiscal year 1982 (estimate)	7,690	52,030

Mr. McDONELL. I wonder if you might also explain to the committee your policy for conducting the inpatient oral examination program.

Dr. AARONIAN. We feel that the inpatient oral examination program—and when I say oral examination, we are basically talking about a screening examination, which also is brought about as a result of the philosophy in Public Law 96-22, in which we do not take a complete set of X-rays and so forth. We are talking about an examination in which a dentist or a qualified individual such as a hygienist or a trained auxiliary can do an oral examination, looking at the tissue and noticing anything unusual and bringing this to the attention of the dentist.

The only way that we can prioritize our patients in the hospital in accordance with the law is by knowing what their dental condition is. If we do not do an examination, we have no idea of the oral condition of the individual patients.

Mr. McDONELL. I am having trouble with that explanation. As you know, in Public Law 96-22, it was the intent of Congress to provide outpatient dental care to the service-connected disabled veterans and ex-POW's. Also included in that law was a limitation on routine types of treatment for nonservice-connected inpatients, so that the staff could be used to treat the service connected.

We recognize that you have exceeded your appropriations cap in both 1980 and 1981 as it relates to fee-basis care, and it would seem it might be appropriate to look at reducing that type of program.

Dr. AARONIAN. I can see your concern, sir. However, when you recognize the fact that in doing these screening-type examinations we recognize over 1,000 early cancers in the course of these examinations, it is rather difficult for me to change my philosophy to where we eliminate this program. I think it is an important one

and I would hate to be a patient in a VA hospital with a potential or possible early malignancy and not have it recognized.

Dr. CUSTIS. May I add to that, sir? I am constrained to say for the record that I think the GAO has made far too much of this dental screening program. Speaking from the medical side of the hospital system, there must be more than a superficial dental attention to nonservice-connected patients that are hospitalized for major illnesses. One cannot handle a diabetic or a person with valvular heart disease and ignore dental infection. It is a matter of professional judgment and not, I think, deserving of the criticism that has been levied by the GAO. I, for one, think the argument has gone on long enough.

Mr. MCDONELL. We certainly aren't trying to question your clinical judgment. That is not the point of this line of questioning, Doctor. What we are attempting to do is determine the policy—since we understand that over 75 percent of the inpatients are the target that Dr. Aaronian has stated he would like to see receive this screening process. We understand there were over 400,000 X-rays taken during the last year in execution of this program——

Dr. CUSTIS. This was at a time when we had 1.3 million patients in our hospital beds.

I hasten to add, Mr. McDonell, that I would never attack you. I am complaining about GAO.

Mr. MCDONELL. I understand that, sir, and thank you.

It probably would be a good idea if we moved on to another program and continued on to quickly finish this hearing, if we may.

I would now, Doctor, like to ask you some questions about the Canteen Service, and either you or Mr. Nelson may answer them. The first one is, we understand the Canteen Service employees are considered to be under the VA's employment ceiling by OMB. The committee would be interested in hearing what was the impact of last year's hiring freezes and personnel ceiling reductions upon the Canteen Service which were imposed by the present administration?

Mr. NELSON. Thank you. With your permission, Mr. Chairman, I would first like to thank you and the distinguished members of the committee and Dr. Custis for the fine comments that were made.

The ceiling that has been imposed on the Canteen Service by OMB has caused us to cut back service on weekends and during other periods. We are troubled by the fact that in 1949 there was a Public Law 81-67 passed which expressed the intent of Congress and exempted the service from ceiling. When that law was codified into title 38, the ceiling application was not in effect and was therefore not included. After that time, when OMB took over the responsibility for the administration of ceilings, it was applied to the Canteen Service.

It is particularly harmful during periods of hiring freezes. The Canteen Service is a relatively small activity. In our food service department and in our retail activities, we may have one dishwasher or one cashier or one office worker. If that person should leave and there is turnover, being under the ceiling prevents us from filling that position. It works a real hardship and doesn't serve any purpose because there is no savings to the taxpayer.

Mr. WON PAT [presiding]. Will the counsel yield?

Mr. McDONELL. Yes, sir.

Mr. WON PAT. For my own edification on this Canteen Service—being new to the committee I naturally am not too familiar with it—but being a member of the Armed Services Committee, I am naturally familiar with some of what we call the nonappropriated activities.

Is the Canteen Service comparable to the PX's?

Mr. NELSON. It's a cousin. In 1946, when General Bradley was Administrator of the VA, one of the things that troubled him was the concession operations that were in existence. There were abuses. There was unsatisfactory service. There were many complaints, particularly from the veterans' organizations.

At that time many possibilities were explored. One was to have the Army Exchange Service, as it was known then, either operate them or provide some expertise. The Defense Department concluded that that wouldn't be proper and General Bradley then sought legislative action. As a result Congress passed Public Law 636 which established the service.

So the big distinction between the two is the fact that the Veterans Canteen Service is a Federal instrumentality established by law. The Exchange Service was formerly organized in 1889 by War Department directives. It is a quasi-government activity and the Canteen Service is a Federal instrumentality.

There are many other differences as you go down the line, but we are both considered nonappropriated fund activities.

Mr. WON PAT. Is veterans preference considered in the hiring of canteen employees?

Mr. NELSON. Yes, it is. That is a requirement of the law.

Mr. WON PAT. Do you get what we call private complaints about the activities in terms of competition with private enterprise?

Mr. NELSON. No, sir. We have not had a complaint in my memory in either our food or retail departments. I think in the very early days there was a concern about Government in business, but we provide the feeding for the employees and that certainly is not in competition. It would be pretty difficult for employees to leave the hospital grounds and go into the community for lunch within the time frames they have. We haven't had any complaints that I can recall at this time.

Mr. WON PAT. Thank you very much, Mr. Nelson.

Mr. McDONELL. I would like to ask one more question about the employee status.

In your personal opinion, Mr. Nelson, do you believe that additional law needs to be enacted in order to place the Canteen Service employees outside of the VA ceiling imposed by OMB?

Mr. NELSON. Yes, sir.

Mr. McDONELL. Dr. Custis states in his testimony that you have an average balance of $16 million in the Canteen Service revolving fund and, at the close of fiscal year 1981, there was an unobligated balance of $4.2 million.

I would like for you to explain that difference, but also you might, if you would, explain to us how much money does OMB Circular A-34 require in cash to meet the Canteen's revolving fund obligation? Maybe that's all one question, but if you would respond to that, please.

Mr. NELSON. Actually it is two questions. The fund balance is a little involved. That must be developed because of the requirements of A-34, and being a Government entity, we are subject to the requirements of that OMB circular. The circular really was intended to govern appropriated funds.

You might say that we keep two sets of books. We keep a commercial set of books with a balance sheet and a profit-and-loss statement, and we do follow the regular congressional budgeting process.

The fund balance simply means that we have to have on hand at any one time cash to cover any existing obligation or open purchase order that we may have. If we write a purchase order, we have to have the cash in the bank to cover that obligation. The $16 million that I think you mentioned comes off the balance sheet. That is the amount of cash that is in the bank on the treasury and is listed on the balance sheet as an asset. It doesn't relate to the $4.2 million that is the unobligated balance in the revolving fund.

Mr. MCDONELL. Thank you.

I wonder if you might provide us for the record, if you don't have it with you now, the Canteen Service's net income for the 5 years prior to fiscal year 1981. Could you do that for us?

Mr. NELSON. Do you need it in total or by the year?

Mr. MCDONELL. We would like it by year, please.

Mr. NELSON. Fine. I have that with me, and if you would like, I could furnish it to you.

Mr. MCDONELL. If you could p ss it to the clerk there, she will insert it in the record.

[The following information was submitted for the record:]

NET INCOME OF CANTEEN SERVICE

	Total sales	Net income	Percent
1981 (increase over 1980, 8.6 percent)	162,229,888	$1,578,302	1.0
1980 (increase over 1979, 10.2 percent)	149,387,336	4,062,214	2.7
1979 (increase over 1978, 2.0 percent)	135,507,411	3,185,867	2.4
1978 (increase over 1977, 6.2 percent)	132,887,113	4,213,542	3.2
1977	125,116,173	2,101,609	1.7
Total	705,127,921	15,141,543	2.2

Mr. MCDONELL. Could you also explain to the committee what is the gratuitous feeding program for volunteers, house staff, and others?

Mr. NELSON. Well, the gratuitous feeding is for the volunteers, house staff, and outpatients when they are authorized to take a meal at the medical center.

Years ago these individuals were fed in the dietetic dining rooms. OMB was critical of that cost. There has been a program to shift that responsibility to the Veterans Canteen Service and we have been expanding our food activities to provide that service.

The Canteen Service is self-sustaining. It pays some $5 million a year to the VA for its occupancy costs. There is no cost to the taxpayers. If gratuitous meals are provided in the dietetic dining room, there is a cost of about $4 a meal. One can go through our service with a meal ticket for about $2.15. So there is about a $1.85

savings per meal. If you multiply that by some 800,000 meals, it amounts to a substantial amount of money.

Mr. McDONELL. Then is it a free meal, or are they actually paying?

Mr. NELSON. Well, the volunteer comes into the hospital and is there during the meal period. He is there as a so-called "without compensation" employee and he is given a meal ticket. That is a gratuitous meal for the person, a cost to the Government, and a sale for us.

Mr. McDONELL. Thank you.

I might ask, Dr. Custis, is the VA required to conduct studies of the Canteen Service, cost comparison studies, under OMB Circular A-76? Has that been considered?

Dr. CUSTIS. No, sir. May I refer to Miss Quandt to answer that question?

Ms. QUANDT. Because of the definition in title 38, United States Code, for the Canteen Service, we have considered it exempt. Non-appropriated funds are excluded from OMB Circular A-76 and OMB instructions.

Mr. McDONELL. Thank you very much.

If we could proceed, I would like to change the subject, Dr. Custis, and ask you a few questions about the general post fund, if I may.

In your testimony you state that research donations to the general post fund are assigned to the facility director for research support within the facility and not to designated investigators. Could you please explain what constitutes research support?

Dr. CUSTIS. Dr. Hollis Boren is with us this morning specifically to handle in greater depth questions in this area. By research support in the post fund, it is literally the subsidization of research projects.

Mr. McDONELL. Does that include salaries?

Dr. CUSTIS. Yes, sir. That happens only when the donor specifially designates that the moneys given to the post fund will be used for this purpose.

Dr. BOREN. Those are salaries of technicians only. Most of the things—we have a breakdown on this. Thirty percent are salaries; it goes to supplies, equipment, travel, the usual sort of distribution of what is meant by research support.

Mr. McDONELL. If you have that document, could you please provide that for the record?

Dr. BOREN. We surely will.

[Subsequently, the Veterans' Administration furnished the following information:]

GENERAL POST FUND EXPENDITURES (RESEARCH)

[July 1, 1980 through June 30, 1981]

	Percent of total	Amount
Opening balance (July 1, 1980) [1]		$2,916,000
Donations		2,975,000
Total		5,891,000

GENERAL POST FUND EXPENDITURES (RESEARCH)—Continued

[July 1, 1980 through June 30, 1981]

	Percent of total	Amount
Expenditures:		
Personnel	30	927,000
Travel	11	335,000
Printing	1	26,000
Human subjects	2	55,000
Supplies	17	510,000
Equipment	6	174,000
Other [2]	33	1,030,000
Total		3,057,000
Closing balance (June 30, 1981)		2,834,000

[1] This does not include the $1.6 million deposited in VACO-GPF.
[2] Includes deposits into VACO, transfer between medical centers, withdrawals by donors, contracts, tuition, and minor miscellaneous expenditures.

Mr. McDONELL. Dr. Custis, does the Central Office exercise any control over the research donations and the projects conducted with these donations?

Dr. CUSTIS. Would you prefer I answer this, or——

Mr. McDONELL. Whoever you wish to answer it, sir.

Dr. CUSTIS. Dr. Boren.

Dr. BOREN. These must be designated for research. It is at the option of the hospital director as to whether or not these funds are accepted. The hospital's research and development committee must pass muster there before those funds are accepted. It also has the responsibility for the distribution of those funds. The chairman of the committee must sign off, the associate chief of staff must sign off, and that cannot be delegated to an individual investigator.

At the central office level we also have the control. We work with FDA very closely in controlling this.

Mr. McDONELL. Then you are aware of all donations made for research at some time, either before the research is conducted or after the research is conducted?

Dr. BOREN. At some time, at the end of the process they should report the results of the research back through our normal procedures. The projects do not undergo central review prior to the research being done.

Mr. McDONELL. Dr. Boren, what has been the total amount of research donations for the 5 years prior to fiscal year 1981?

Dr. BOREN. I do not have that. I will have to survey that and supply it for the record.

[Subsequently, the Veterans' Administration furnished the following information:]

Research Donation to the General Post Fund

Fiscal year:	
1977	$751,324
1978	1,770,608
1979	1,464,142
1980	2,073,356
1981	1,908,409

Mr. McDONELL. Also, for the record, could you give us an explanation of what kind of projects are generally conducted with corporation donations?

Dr. BOREN. Typically, these are pharmaceutical firms. The majority of this research consists of clinical trials. There is one dental program involving the use of metals, but by and large, these research undertakings involve clinical evaluation of new drugs to see their efficacy.

Mr. McDONELL. Could you please provide for the record what corporation donated the largest sum of money for research purposes in fiscal year 1981 and also the amount of funds and what the research purpose was?

Dr. BOREN. In fiscal 1981, the largest amount was from Squibb. It was $355,000 for a cooperative study of a new antihypertensive called Capturpill. This did not go to one hospital but was a cooperative study. Those funds were then distributed to the members of that study. That was the largest amount for fiscal year 1981.

Mr. McDONELL. Could you please explain to the committee what the end product of a research project conducted by the VA is? Is it private or public domain?

Dr. BOREN. It is public domain. In the old days, the pharmaceutical firms would like to see those results and they might suppress them. This is no longer the case. The completion of this is like all other product research. It goes in the professional journals and is in the public domain.

Mr. McDONELL. Thank you very much, Dr. Boren.

Dr. Custis, I want to switch now to oil wells. I wonder if you could give us an explanation of the oil wells on VA property at Wadsworth Hospital, and I have a couple of questions—Who is going to do the answering?

Dr. CUSTIS. Mr. Joe Travers.

Mr. McDONELL. Mr. Travers, we would like to know who derives funds from the oil; is the present royalty realized by the Government consistent with a substantial increase in the cost of a barrel of oil in the last 6 or 7 years? Please give us just a little history as to how the oil wells came into being.

Mr. TRAVERS. I can give you the present royalty agreement with the VA. How we got into this drilling and lease arrangement, I would defer to our land management group here.

However, the current royalties from the sale of the oil is a 2½-percent royalty, which is given to the VA medical center, and it is deposited in the General Post Fund. Since 1965, we have received from royalties roughly $1.3 million. The present sum of moneys that we are collecting from royalties are roughly anywhere from $8,000–$9,000 per month. Back several years ago, back to the early terms of the lease, going back to 1965 and 1970, we were collecting $300–$400 per month. So the increase that we now visualize receiving monthly obviously is with the new price of oil.

Dr. CUSTIS. Mr. McDonell, Mr. Granito of the Land Management Service is with us, if you would like to——

Mr. McDONELL. Yes, I would appreciate it.

I heard the figure 2½ percent goes to the General Post Fund, I believe that is what you said, Mr. Travers. Is there a specific instruction as to how that money will be spent?

Mr. TRAVERS. It is for the General Recreation Fund, but the moneys coming from the royalties are deposited to the General Post Fund at the facility, returned to Central Office, and we invest this money. We return it when the facility requests an allocation of money.

Mr. MCDONELL. If I understand you then, sir, it is actually the interest that is realized from the donation in the General Post Fund that is expended for welfare and recreation activities?

Mr. TRAVERS. Principally they are drawing on the interest. There are times when they can ask for some of the capital, but principally, right now, they are dealing off the interest.

[Subsequently the Veterans' Administration furnished the following information:]

Between 1965 and 1976 approximately $303,000 of the principal was spent by Wadsworth. In 1976 the donor learned of the expenditures and advised the Chief Medical Director that his intent at the time of the donation was to establish a fund that would furnish a perpetual income for the benefit of patients at the Wadsworth Medical Center. Beginning with 1977, only the interest from the investment of royalties has been spent.

Mr. MCDONELL. I haven't heard the history as to how the VA got involved in administering this contract. Could you please fill us in on that?

Mr. GRANITO. Yes, I would be glad to.

The Bureau of Land Management, of the U.S. Department of Interior, is responsible for the issuance of all exploratory oil and gas leases under all Federal land. In 1963, BLM issued a basic exploratory oil and gas lease to a Mr. Tom Dowlan. Mr. Dowlan assigned his lease to Gulf Oil. Gulf Oil Corp. appointed—these are words in the file—appointed Occidental Petroleum, Inc., as operator of the oil wells at the VA medical center. The original BLM lease covered an area of 670 acres underneath the then-existing VA medical center. Interestingly enough, it included the existing national cemetery.

In 1966, then, a drill site was surveyed out and designated. I have a large fold-out map, if you would wish to see that.

Mr. MCDONELL. No.

Mr. GRANITO. We designated a 2½-acre drill site south of Constitution Avenue. Since 1966, then, the VA has been leasing the drill site to Occidental Petroleum by lease every 3 years. We have a current lease with Occi-Petroleum, Inc., which came into existence as a result of a reorganization of Occidental. The existing lease is from 1981 through 1984. It covers the existing drill site under the Bureau of Land Management basic lease.

Mr. MCDONELL. Actually, is the Veterans' Administration acting as the agent for the Federal Government instead of the Department of Interior?

Mr. GRANITO. No, sir. Under the Bureau of Land Management regulations, a 12½-percent royalty on all production volume is paid to the Federal Government and covered into the Treasury as miscellaneous receipts and is paid to the Bureau of Land Management.

The form of the offer that we put into the General Post Fund is a 2½-percent overriding royalty. That was made in the form of an offer at the initiation of a leasing transaction on the drill site. It represents more or less a user fee or rental fee for use of the site.

The Department of Interior, in 1965, found that flat or fixed rate of 2½ percent to be an acceptable amount for that area.

Mr. McDONELL. Thank you.

One last question. It would appear to me that when we are up to $1.3 million in the General Post Fund of Wadsworth and the 2½-percent royalty which cannot be spent, there is going to be an exorbitant amount of money accumulated in a short time.

Is there any legal way the VA could share that interest with other VA hospitals?

Mr. TRAVERS. In reality, we do share the interest. This is part of how we allocate our money to all the medical centers. There is roughly $7 million that is allocated annually to all the medical centers, and this comes from the cash donations from various sources which are all invested. So the primary source of our dollars to our field facilities is from our interest.

Mr. McDONELL. It was my understanding there was a caveat with that 2½-percent donation, that it was supposed to be utilized by Wadsworth.

Mr. TRAVERS. Well, at any time they could call on us and we would have to try to meet their needs. This is true with any donation that we receive from medical centers. Technically, nobody maintains anything over a $1,000. We review the books and from time to time, if we see large unobligated balances, we ask the facilities to justify it or we would withdraw it and then invest the money.

Effectively, any of these donations can be called on if it is a specific donation. Somebody may have donated a large sum of money for a specific purpose, and it might take 6 months to a year before the medical center is ready to purchase or do whatever the donor requested them to do. So, during this period of time we have this money invested.

Mr. McDONELL. Thank you very much, Mr. Travers.

Mr. Chairman, this completes my questioning. I thank you very much.

Mr. WON PAT. Thank you.

I think that concludes our hearing this morning. On behalf of the chairman of the committee, I want to extend our appreciation to you, Dr. Custis, and your associates, for your presence today and for your very fine presentation.

There being no further business before the committee, the hearing is now adjourned.

[Whereupon, at 9:55 a.m., the subcommittee was adjourned.]

APPENDIX

STATEMENT OF

DONALD L. CUSTIS, M.D.,

CHIEF MEDICAL DIRECTOR, VETERANS ADMINISTRATION

BEFORE THE

HOUSE VETERANS AFFAIRS COMMITTEE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

MAY 12, 1982

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, I AM PLEASED TO BE HERE TODAY TO DISCUSS THE SPECIAL MEDICAL ADVISORY COMMITTEE, OUR AFFILIATED EDUCATION PROGRAMS, DENTAL PROGRAM, CANTEEN SERVICE AND GENERAL POST FUND.

SPECIAL MEDICAL ADVISORY GROUP

FIRST, YOU REQUESTED TESTIMONY REGARDING THE SPECIAL MEDICAL ADVISORY GROUP (SMAG). DR. RICHARD P. SCHMIDT, THE CURRENT CHAIRMAN OF SMAG, IS ALSO PRESENTING TESTIMONY TO THE COMMITTEE TODAY SO I WILL PRESENT A BRIEF OVERVIEW OF THE SMAG AND DEFER TO DR. SCHMIDT FOR A MORE DETAILED DISCUSSION OF SMAG ACTIVITIES.

THE SPECIAL MEDICAL ADVISORY GROUP HAS A VERY LONG AND IN MANY WAYS ILLUSTRIOUS HISTORY IN THE VA. IT BEGAN AS A MEDICAL COUNCIL IN THE

THEN "VETERANS BUREAU" IN 1924. IT WAS DESIGNATED AS SMAG IN 1945; AND ITS RECOMMENDATIONS LED DIRECTLY TO THE ESTABLISHMENT OF THE DEPARTMENT OF MEDICINE AND SURGERY IN 1946 AND INCLUSION IN THE LAW OF SMAG ITSELF. ITS DUTIES UNDER THE LAW ARE BROAD, "TO ADVISE THE ADMINISTRATOR, THROUGH THE CHIEF MEDICAL DIRECTOR, AND THE CHIEF MEDICAL DIRECTOR DIRECT, RELATIVE TO THE CARE AND TREATMENT OF DISABLED VETERANS AND OTHER MATTERS PERTINENT TO THE DEPARTMENT OF MEDICINE AND SURGERY." ALTHOUGH SEVERAL CHANGES HAVE BEEN MADE IN THE LAW OVER THE YEARS, INCLUDING ADDING SOME SPECIFIC DUTIES, THE GENERAL CHARGE TO THE GROUP HAS REMAINED THE SAME. IN ADDITION, SMAG IS REQUIRED TO PROVIDE CONGRESS AN ANNUAL REPORT OF ACTIVITIES FOR THE PRECEDING YEAR.

THE ADVICE AND COUNSEL OF MEMBERS SINGLY AND AS A GROUP HAVE BEEN OF IMMEASURABLE ASSISTANCE TO THE VA. AMONG OTHER THINGS, ITS WORK WAS INSTRUMENTAL IN THE ESTABLISHMENT OF THE VA RESEARCH PROGRAM, THE PROGRAM OF AFFILIATION WITH MEDICAL SCHOOLS, AND THE RAISING OF THE GENERAL LEVEL OF MEDICAL CARE PROVIDED IN VA HEALTH CARE FACILITIES.

AT THE PRESENT TIME, SMAG HAS A WORKING TASK FORCE ON VETERAN ELIGIBILITY FOR MEDICAL CARE, AND ANOTHER DEALING WITH PRESENT AND FUTURE RELATIONSHIPS WITH OUR AFFILIATED MEDICAL SCHOOLS. TWO MEMBERS PROVIDE ONGOING LIAISON WITH THE DM&S PLANNING STAFF, THE

VETERAN REPRESENTATIVE ON THE SMAG PARTICIPATES IN THE REGULAR MEETINGS OF KEY REPRESENTATIVES OF THE VETERANS ORGANIZATIONS, AND THE SUBCOMMITTEES ON RESEARCH AND ACADEMIC AFFAIRS REGULARLY ADVISE ON VARIOUS RESEARCH AND ACADEMIC MATTERS.

IT IS A PRESTIGIOUS GROUP OF PEOPLE WHOSE OPINIONS AND GUIDANCE I VALUE VERY HIGHLY.

VA AFFILIATED EDUCATION PROGRAMS

MR. CHAIRMAN, YOU ALSO REQUESTED TESTIMONY REGARDING AFFILIATION PROGRAMS AND, SPECIFICALLY, OUR PROGRESS IN ADDING REPRESENTATIVES OF THE FULL-TIME VA MEDICAL STAFF TO OUR DEAN'S ADVISORY COMMITTEES.

DEAN'S COMMITTEES CONTINUE TO BE A VALUABLE ADVISING GROUP IN THE MANAGEMENT OF VA AFFILIATED EDUCATION PROGRAMS. THE ADVICE OF DEANS AND DEPARTMENT CHAIRMEN FROM THE VARIOUS HEALTH CARE SCHOOLS AND DISCIPLINES IS A VALUABLE ASSET FOR VA MANAGEMENT SINCE SUCH INDIVIDUALS ARE CLOSEST TO THE CUTTING EDGE OF KNOWLEDGE AND SKILLS REQUIRED TO DELIVER TODAY'S RAPIDLY-ADVANCING MEDICAL CARE. THE PROBLEMS WHICH WE ENCOUNTER WITH THE DEAN'S ADVISORY COMMITTEES ARE THOSE OF ANY PARTNERSHIP. IN THE AFFILIATED ENVIRONMENT, THERE ARE CONFLICTING GOALS AND INTERESTS THAT HAVE TO BE MUTUALLY UNDERTAKEN

AND ACCOMMODATED. WE BELIEVE THAT THE CONSIDERATION AND RESOLUTION OF CONFLICTING GOALS IS EVIDENCE OF A HEALTHY ENVIRONMENT WHERE TWO PARTNERS WITH DIFFERENT MISSIONS MUST COOPERATE FOR A COMMON GOOD. I AM COMMITTED TO CONTINUE TO EXERT WHATEVER MANAGEMENT DIRECTION IS REQUIRED TO ASSURE THAT THESE COMMITTEES AND OUR AFFILIATIONS FUNCTION AS INTENDED. IN THE PAST TWO YEARS, I OR MEMBERS OF MY STAFF HAVE TAKEN ACTION IN THIS REGARD. EFFORTS TO PROTECT THE VA HALF OF THE PARTNERSHIP RESULTED IN THE LEGISLATIVE REQUIREMENTS OF P.L. 96-330 TO INCLUDE FULL-TIME VA STAFF ON THE DEAN'S COMMITTEES. I AM SURE THAT YOU ARE ALSO AWARE THAT WE HAVE TAKEN THE INITIATIVE TO INCLUDE VETERANS SERVICE ORGANIZATION REPRESENTATIVES ON THE COMMITTEE OF DEANS.

IN 1981, 127 INDIVIDUAL OR CONSOLIDATED VA MEDICAL CENTERS AND OUTPATIENT CLINICS HAD AFFILIATIONS WITH 100 SCHOOLS OF MEDICINE IN THIS COUNTRY. SECTION 115 OF P.L. 96-330 REQUIRED THAT ADVISORY COMMITTEE MEMBERSHIP INCLUDE AN "APPROPRIATE REPRESENTATION FROM THE FULL-TIME STAFF." LAST YEAR, 123 FULL-TIME VA STAFF MEMBERS WERE APPOINTED TO THE 110 DEAN'S COMMITTEES AT VA FACILITIES. FURTHER ANALYSIS OF THE CURRENT TOTAL WILL BE MADE NEXT MONTH WHEN THE ANNUAL REPORT ON DEAN'S COMMITTEE MEMBERSHIP IS SENT TO CENTRAL OFFICE AFTER THAT SURVEY. WE WILL FOLLOW UP INDIVIDUALLY WITH THOSE VA FACILITIES WHOSE DEAN'S COMMITTEES DO NOT, AS YET, HAVE FULL-TIME VA STAFF MEMBERS APPOINTED.

IN OCTOBER 1981, I SENT A CIRCULAR TO THE DEAN'S COMMITTEES REQUESTING DATA ON THE APPOINTMENT OF VETERAN SERVICE ORGANIZATION REPRESENTATIVES. I HAVE REQUESTED THESE APPOINTMENTS TO INSURE THE CONSUMERS OF OUR SERVICE ARE INVOLVED IN THE COMMITTEE IN ADDITION TO GIVING DIRECT ADVICE TO VA HOSPITAL DIRECTORS. AS OF FEBRUARY 1982, 82 PERCENT OF THE DEANS COMMITTEES INCLUDED A VETERANS SERVICE ORGANIZATION REPRESENTATIVE. THE REMAINING 18 PERCENT HAD FOUND ALTERNATIVE METHODS OF ASSURING COMMUNICATION.

ONE FUNCTION OF THE DEAN'S COMMITTEE IS TO ADVISE THE HOSPITAL DIRECTOR ON THE ACADEMIC ASPECTS OF THE AFFILIATION. IT ALSO ADVISES ON NOMINATIONS FOR CLINICIANS, TEACHERS, RESEARCHERS AND STUDENTS. THE AUTHORITY TO APPOINT THESE PEOPLE RESTS WITH THE HOSPITAL DIRECTOR. APPOINTMENT IS BASED ON THE DIRECTOR'S DETERMINATION OF THE MANPOWER NEEDS TO PROVIDE PATIENT CARE.

IN THE AFFILIATION PARTNERSHIP THE VA GAINS A HIGHLY-QUALIFIED MEDICAL STAFF. THE SCHOOL GAINS THE PRIVILEGE OF SERVING VA PATIENTS WHILE CREATING AN ENVIRONMENT OF TEACHING AND INQUIRY. THE PRESENCE OF THE ATTITUDE OF -- "PROVE IT" -- THAT PERMEATES THE ACADEMIC ENVIRONMENT HELPS INSURE THE QUALITY OF CARE FOR OUR PATIENTS IN SETTINGS REQUIRING INTENSIVE MEDICAL CARE. I BELIEVE THAT OUR AFFILIATIONS ARE THE CHIEF GUARANTOR OF A HIGH-QUALITY MEDICAL STAFF AND OF HIGH-QUALITY MEDICAL CARE FOR OUR VETERAN PATIENT.

THE AFFILIATION STEERING COMMITTEE, SPECIAL MEDICAL ADVISORY GROUP TASK FORCE ON AFFILIATIONS, AND FIELD ADVISORY COMMITTEE ADVISE ME ON HOW TO MAINTAIN THE VALUABLE AFFILIATION RELATIONSHIPS WE NOW HAVE.

WHERE DEEMED APPROPRIATE, WE WILL DISCONTINUE AFFILIATIONS. IN THE CURRENT BUDGET CLIMATE IT IS NOT LIKELY THAT NEW AFFILIATIONS WILL BE DEVELOPED. WITH RARE EXCEPTION, EXISTING AFFILIATIONS WILL NOT BE EXPANDED.

THE TIME-TESTED, HIGHLY-SUCCESSFUL AFFILIATION PARTNERSHIP WILL CONTINUE TO GIVE THE VA A MANAGEMENT TECHNIQUE OF GREAT POWER FOR THE DELIVERY OF QUALITY MEDICAL CARE TO VETERANS.

VA DENTAL PROGRAM

DENTAL CARE IN THE VA IS THE SECOND MOST POPULAR BENEFIT PROGRAM FOR THE VETERAN COMING OUT OF THE MILITARY, EDUCATIONAL BENEFITS OF THE GI BILL BEING NUMBER ONE. AN AVERAGE OF 50 PERCENT OF MILITARY DISCHARGEES APPLY FOR DENTAL BENEFITS, AND THERE HAVE BEEN APPROXIMATELY 400,000 MILITARY SEPARATIONS EACH YEAR FOR THE PAST SEVERAL YEARS.

DENTISTRY IN THE VA IS A UNIQUE PROGRAM. IT IS PROBABLY THE LARGEST HOSPITAL-BASED DENTAL HEALTH CARE PROGRAM IN THE WORLD. AS

AUTHORIZED BY TITLE 38, HEALTH CARE FOR HOSPITALIZED VETERANS INCLUDES NEEDED DENTAL CARE. IN ADDITION, CERTAIN CATEGORIES OF VETERANS HISTORICALLY HAVE BEEN GRANTED ELIGIBILITY FOR DENTAL TREATMENT ON AN OUTPATIENT BASIS. CONGRESSIONAL ACTION HAS, FROM TIME TO TIME, MODIFIED OR EXPANDED THE CATEGORIES OF VETERANS ELIGIBLE AS WELL AS THE SCOPE OF TREATMENT TO WHICH THEY WERE ENTITLED. THE LARGEST CATEGORY IS ELIGIBLE FOR ONLY ONE COURSE OF DENTAL CARE FOLLOWING DISCHARGE FROM THE MILITARY. IN RECENT YEARS PRIOR TO 1979, THE TOTAL NUMBER OF APPLICANTS FOR OUTPATIENT DENTAL CARE WAS GRADUALLY DECLINING. PUBLIC LAW 96-22 CREATED NEW CATEGORIES OF DENTAL BENEFICIARIES, SPECIFICALLY, THESE INCLUDED EX-PRISONERS OF WAR INCARCERATED FOR MORE THAN 180 DAYS, AND VETERANS WITH SERVICE-CONNECTED DISABILITIES TOTALING 100 PERCENT (INCLUDING THOSE DEEMED 100 PERCENT SERVICE-CONNECTED BY VIRTUE OF UNEMPLOYABILITY). AS A RESULT, APPROXIMATELY 330,000 ADDITIONAL VETERANS BECAME ELIGIBLE FOR UNLIMITED OUTPATIENT DENTAL CARE. AS THESE VETERANS APPLIED FOR BENEFITS IT BECAME APPARENT THAT MANY OF THEM HAD GENERALLY NEGLECTED THEIR ORAL HEALTH OVER THE YEARS AND REQUIRED EXTENSIVE DENTAL CARE. OVERALL, THIS MARKEDLY INCREASES THE TIME AND RESOURCES EXPENDED FOR THIS PARTICULAR GROUP OF VETERANS.

ANOTHER COMPLICATION THAT WE HAVE HAD TO DEAL WITH IS THE GEOGRAPHIC DISTRIBUTION OF THESE NEW BENEFICIARIES. THE BULK OF

THEM ARE RETIREES, CONCENTRATED IN THE RETIREMENT HAVENS OF THE SOUTHEAST AND SOUTHWEST. THE VA FACILITIES IN THOSE AREAS WERE (AND ARE) INUNDATED WITH VALID APPLICATIONS FOR DENTAL TREATMENT. DESPITE DEVOTING GREATLY-INCREASED TIME AND EFFORT TO THE STAFF TREATMENT OF THESE SERVICE-CONNECTED OUTPATIENTS (OFTEN AT THE EXPENSE OF INPATIENT NEEDS), INCREASED NUMBERS HAVE HAD TO BE REFERRED TO FEE-BASIS CARE. THERE IS, OF COURSE, NO LOGICAL WAY TO DIVERT THE "OVERFLOW" TO VA FACILITIES IN OTHER SECTIONS OF THE COUNTRY THAT HAVE LESS TRAFFIC IN DENTAL OUTPATIENTS. IT SHOULD BE NOTED THAT FOR SEVERAL YEARS PRIOR TO THE ENACTMENT OF P.L. 96-22, THE DEPARTMENT RECOGNIZED THE NEED TO REDUCE DENTAL FEE-BASIS EXPENDITURES. IN RESPONSE, VACO DENTAL SERVICE INSTITUTED CHANGES IN EMPHASIS AND PATIENT PRIORITIES THAT RESULTED IN MORE AND MORE OF THE ELIGIBLE OUTPATIENTS BEING TREATED BY VA STAFF. THIS THRUST HAS BEEN SUCCESSFUL AS WITNESSED BY THE 113 PERCENT INCREASE ATTAINED IN STAFF PERFORMANCE OVER THE LAST 6 YEARS. EVEN WITH THE DRAMATIC INCREASE OF APPLICATIONS UNDER P.L. 96-22, VA DENTAL STAFF HAS GENERALLY KEPT PACE BY INCREASING THEIR PRODUCTIVITY. THESE CHANGES DID NOT COME ABOUT BY ACCIDENT, BUT REFLECTED CENTRAL OFFICE INTERVENTION, BEGINNING WITH A DENTISTRY LETTER IN 1976, WHICH EMPHASIZED PRIORITIZATION OF PATIENT CARE.

WE INTEND TO CONTINUE OUR EFFORTS IN THE DENTAL OUTPATIENT PROGRAM. HOWEVER, THERE IS A SATURATION POINT AT WHICH WE COMPROMISE OUR

OBLIGATIONS TO THOSE VETERANS WHO HAVE BEEN ADMITTED TO OUR HOSPITALS AND REQUIRE SOME DENTAL CARE AS AN INTEGRAL PART OF THEIR MEDICAL TREATMENT. EXAMPLES OF PATIENTS IN THIS GROUP INCLUDE DIABETICS, PATIENTS WITH CARDIAC DISEASE, PATIENTS REQUIRING RENAL DIALYSIS AND/OR TRANSPLANTS, THOSE UNDERGOING RADIOTHERAPY FOR HEAD AND NECK MALIGNANCIES AND PATIENTS ON IMMUNOSUPPRESSANTS. ALL OF THESE REQUIRE THE ELIMINATION OF ACTUAL OR POTENTIAL ORAL INFECTION FOR SUCCESSFUL MEDICAL CARE OR TO AVOID LIFE-THREATENING COMPLICATIONS. ALTHOUGH THESE PATIENTS MAY BE EITHER SERVICE-CONNECTED OR NONSERVICE-CONNECTED, OUR HOSPITALS HAVE ADMITTED THEM FOR HEALTH CARE AND THE DENTAL COMPONENT OF THAT CARE CANNOT BE IGNORED. THESE NEEDS ARE CLEARLY RECOGNIZED IN P.L. 96-22 AND WERE ADDRESSED IN ITS AMENDMENT OF SECTION 610(c) OF TITLE 38, USC.

OTHER GROUPS OF PATIENTS ALSO REQUIRE VA DENTAL CARE. THERE ARE MANY VETERANS WHO HAVE PHYSICAL OR NEUROPSYCHIATRIC PROBLEMS OF SUCH MAGNITUDE THAT PRIVATE PRACTITIONERS CANNOT OR WILL NOT TREAT THEM. EXCEPT FOR THE VA DENTAL SERVICES, THEY WOULD BE VIRTUALLY ABANDONED. LIKEWISE, THOSE VETERANS WHO ARE HOSPITALIZED FOR LONG PERIODS OF TIME SHOULD BE FURNISHED DENTAL TREATMENT THAT MAY BE REQUIRED AS PART OF THE VA'S COMMITMENT TO THEIR COMPREHENSIVE HEALTH CARE. WE FEEL THAT WE HAVE A BASIC OBLIGATION TO THESE PATIENTS THAT CANNOT BE IGNORED. WE BELIEVE THAT OUR INPATIENT PROGRAM IS VERY NEAR THIS POINT OF BASIC OBLIGATION. ONLY 17

PERCENT OF VETERANS ADMITTED TO OUR HOSPITALS IN FY 1981 RECEIVED SOME DEGREE OF DENTAL CARE. NEVERTHELESS, WE HAVE BEEN DIRECTED TO FURTHER INCREASE THE INVOLVEMENT OF OUR VA DENTAL STAFF IN PROVIDING OUTPATIENT CARE THAT MIGHT OTHERWISE BE REFERRED TO THE PRIVATE SECTOR ON A FEE BASIS. WE HAVE ATTEMPTED TO DO SO BY INCREASING OVERALL PRODUCTIVITY OF OUR CLINICS AND THROUGH A NUMBER OF INITIATIVES BY EMPHASIZING THE NEED FOR APPROPRIATE PRIORITIZING OF OUR TREATMENT TIME AND CLINIC RESOURCES. THESE STEPS INCLUDE THE FOLLOWING:

- NUMEROUS DIRECTIVES TO THE FIELD.

- THE M-4 MANUAL, "DENTISTRY" WAS REVISED IN JUNE 1980 TO MORE-CLEARLY DEFINE THE CATEGORIES OF PATIENTS AND THEIR PRIORITIES FOR DENTAL TREATMENT.

- A NEWLY-DEVELOPED DENTAL INDEX CARD REQUIRES DOCUMENTATION OF THE CIRCUMSTANCES THAT PERMIT AUTHORIZATION OF DENTAL CARE FOR NONSERVICE-CONNECTED DENTAL CONDITIONS FOR A VETERAN AS AN INPATIENT. THIS DOCUMENTATION WILL PERMIT RAPID AUDIT OF THE TYPES OF INPATIENTS RECEIVING DENTAL CARE AND THOSE AUTHORIZED CONTINUATION ON AN OUTPATIENT BASIS.

AS YOU KNOW, P.L. 96-22 ALSO IMPOSED A CAP OF $45.1 MILLION DOLLARS WHICH CAN BE SPENT ON DENTAL FEE-BASIS CARE. THE EXPLOSION-LIKE

INCREASE IN APPLICATIONS FOR DENTAL CARE FROM THE NEW CLASSES OF ELIGIBLE BENEFICIARIES NECESSITATED OUR ADVISING CONGRESS, AS PRESCRIBED BY THE LAW, THAT THE CAP WAS EXCEEDED IN FY 1980, AND FY 1981. WE ANTICIPATE THAT AS THE SURGE OF APPLICANTS BECOMES MORE STABILIZED, AND IN THE ABSENCE OF ANY UNFORESEEN CHANGES IN ENTITLEMENT, OUR AGENCY WILL BE ABLE TO PROVIDE THE CARE NEEDED WITHIN THE FRAMEWORK OF THE ESTABLISHED CAP.

REGARDING PUBLIC LAW 97-35, A VETERAN MUST HAVE A MINIMUM OF 180 DAYS ACTIVE SERVICE, AND MUST APPLY WITHIN 90 DAYS OF RELEASE FROM ACTIVE DUTY, TO BE ELIGIBLE FOR CLASS II DENTAL CARE FROM THE VA. (A VETERAN PREVIOUSLY HAD NO MINIMUM SERVICE REQUIREMENT AND HAD ONE YEAR TO APPLY FOLLOWING RELEASE FROM ACTIVE DUTY.) THIS LEGISLATION ALSO MAKES A VETERAN INELIGIBLE FOR CLASS II DENTAL CARE IF DOD CERTIFIES THAT A COMPLETE DENTAL EXAM WAS GIVEN AND NECESSARY TREATMENT COMPLETED WITHIN 90 DAYS BEFORE RELEASE FROM ACTIVE DUTY. IN ADDITION, THE MILITARY DEPARTMENT CONCERNED MUST INFORM ALL VETERANS UPON RELEASE FROM ACTIVE DUTY ABOUT THE PROVISIONS OF P.L. 97-35.

SINCE P.L. 97-35 BECAME EFFECTIVE ON OCTOBER 1, 1981, OUR EXPERIENCE IS LIMITED TO ONLY THE TWO QUARTERS OF FISCAL YEAR 1982. THE FACT THAT VETERANS DISCHARGED PRIOR TO THAT DATE CONTINUE TO HAVE ONE YEAR TO APPLY ALSO COMPLICATES ANY ATTEMPT TO ANALYZE THE

COST-SAVINGS IMPACT OF THIS LEGISLATION. ALTHOUGH PROJECTIONS BASED ON THE TWO QUARTERS OF FISCAL YEAR 1982 INDICATE THAT APPLICATIONS FOR CLASS II DENTAL BENEFITS ARE DECREASING AT A RATE OF 13 PERCENT COMPARED TO FISCAL YEAR 1981, THIS DECREASE CANNOT BE SOLELY ATTRIBUTED TO THE PROVISIONS OF P.L. 97-35 AS THIS DECLINING TREND WAS NOTICEABLE PRIOR TO ITS ENACTMENT. ANOTHER FACTOR COMPOUNDING THE PROBLEM OF A MEANINGFUL ANALYSIS IS THAT THE NUMBER OF SEPARATIONS FROM MILITARY SERVICE (THE FIRST SIX MONTHS OF FY 1982) HAS DECREASED CONSIDERABLY COMPARED TO PRIOR YEARS AND, THEREFORE, CORRESPONDINGLY RESULTED IN REDUCING THE NUMBERS OF VETERANS SEEKING VA BENEFITS. WE HAVE INITIATED A SPECIAL REPORTING MECHANISM TO DISTINGUISH BETWEEN THOSE VETERANS APPLYING FOR DENTAL CARE UNDER THE PROVISIONS OF P.L. 97-35 AND THOSE WHO HAVE ONE YEAR TO APPLY. WHEN WE OBTAIN MORE OF THIS DATA AS FISCAL YEAR 1982 PROGRESSES, A MORE VALID ANALYSIS OF THE IMPACT OF P.L. 97-35 MAY BE POSSIBLE.

VETERANS CANTEEN SERVICE OPERATIONS

MR. CHAIRMAN, THE VETERANS CANTEEN SERVICE (VCS) HAS BEEN AN IMPORTANT PART OF THE VA MEDICAL SYSTEM SINCE 1946.

PRIOR TO 1946, PRIVATELY-OWNED CONCESSIONAIRE OPERATIONS RAN A TYPE OF CANTEEN SERVICE FOR PATIENTS IN SOME VA MEDICAL CENTERS. THIS

ARRANGEMENT WAS FAR FROM SATISFACTORY. MANY COMPLAINTS WERE RECEIVED FROM VETERANS' ORGANIZATIONS AND OTHER AGENCIES INTERESTED IN THE WELFARE OF VETERANS. THESE COMPLAINTS ALLEGED INADEQUATE AND UNSATISFACTORY SERVICE, EXPLOITATION AND OTHER ABUSES BY THE PRIVATELY-OPERATED CANTEENS. AT MANY OF THE SMALLER MEDICAL CENTERS, NO CANTEEN SERVICE WAS AVAILABLE. AS A RESULT OF THOSE COMPLAINTS, THEN VA ADMINISTRATOR GENERAL OMAR BRADLEY DIRECTED THAT A SURVEY BE CONDUCTED. THE SURVEY REVEALED AN URGENT NEED FOR IMPROVEMENT IN THE CANTEEN SERVICE IN VA MEDICAL CENTERS THROUGHOUT THE COUNTRY. CONSEQUENTLY, THE VETERANS CANTEEN SERVICE WAS CREATED AS AN INSTRUMENTALITY OF THE UNITED STATES GOVERNMENT UNDER THE AUTHORITY OF P.L. 79-636 ON AUGUST 7, 1946.

FOR MORE THAN 35 YEARS, THE VCS HAS OFFERED UNIFORM SERVICE AND PRICING TO THE NATION'S HOSPITALIZED VETERANS. THE GENERAL ACCOUNTING OFFICE IN ITS PERIODIC AUDITS OF THE SERVICE, AS REQUIRED BY 38 USC 4207, HAS REPEATEDLY FOUND NO EXCEPTIONS. OTHER REVIEWS, BOTH FROM WITHIN AND OUTSIDE THE AGENCY, HAVE CONCLUDED THAT THE VCS SUCCESSFULLY ACCOMPLISHES ITS MISSION IN AN EFFICIENT AND EFFECTIVE MANNER.

THE VETERANS ADMINISTRATION, AND THE MEDICAL CARE PROGRAM IN PARTICULAR, HAS BENEFITED IN MANY WAYS FROM THE VCS' EXISTENCE. THE VCS PAYS THE VA OVER $5.3 MILLION A YEAR FOR RENT, UTILITIES AND

SERVICES. BASED ON A RECENT FOUR-YEAR STUDY, THE VCS PAID TO THE VA SOME $14.7 MILLION MORE FOR CAFETERIA OCCUPANCY EXPENSES AND EQUIPMENT THAN WOULD HAVE BEEN PAID BY A PRIVATE CONTRACTOR. VCS PAYS FOR ITS OWN EQUIPMENT WHILE PRIVATE CONTRACTORS OPERATING CAFETERIAS IN GOVERNMENT BUILDINGS HAVE THE EQUIPMENT PROVIDED TO THEM AT GOVERNMENT EXPENSE. IN ADDITION, THE CANTEEN SERVICE SAVES THE VA SOME $1.5 MILLION A YEAR BY PROVIDING GRATUITOUS FEEDING FOR VOLUNTEERS, HOUSE STAFF AND OTHERS. THESE SAVINGS ARE ABOVE AND BEYOND THE BENEFITS DERIVED FROM THE ENHANCED MORALE OF BOTH PATIENTS AND EMPLOYEES.

DURING THE PAST FEW YEARS, THE VCS HAS TAKEN A NUMBER OF IMPORTANT REORGANIZATIONAL STEPS. IN TOTAL, THESE MOVES WILL SAVE APPROXIMATELY 35 POSITIONS WHILE REDUCING ADMINISTRATIVE EXPENSES BY APPROXIMATELY $1 MILLION A YEAR. IN 1980 THE SERVICE CONSOLIDATED ITS FIELD FINANCE ACTIVITIES BY CLOSING THE FINANCE BRANCHES IN ITS FIVE FIELD OFFICES AND ESTABLISHING A CENTRALIZED FINANCE CENTER IN ST. LOUIS, MISSOURI. THIS MOVE SAVED 20 POSITIONS AND IMPROVED RELATIONS WITH VENDORS BY ESTABLISHING A SINGLE CONTACT POINT FOR ALL CANTEEN BILLING AND PAYMENT INQUIRIES. THIS YEAR WE EXPECT TO REPLACE THE SERVICE'S OBSOLETE ACCOUNTING EQUIPMENT WITH AN ADP FINANCIAL MANAGEMENT INFORMATION SYSTEM. THIS SYSTEM, WHICH WILL POLL ELECTRONIC CASH REGISTERS ALREADY IN PLACE IN THE CANTEENS, WILL GREATLY IMPROVE THE TIMELINESS AND

ACCURACY OF THE SERVICE'S FINANCIAL INFORMATION. AT THE SAME TIME, CONSIDERABLE EMPLOYEE HOURS CURRENTLY SPENT MANUALLY PERFORMING ROUTINE CALCULATIONS AND PREPARING RECURRING REPORTS WILL BE SAVED.

THE SECOND MOVE, COMPLETED IN MARCH 1982, INVOLVED A REDUCTION IN THE NUMBER OF VCS FIELD OFFICES FROM FIVE TO THREE. THE NEW THREE FIELD OFFICE ALIGNMENT WILL SAVE AN ADDITIONAL 15 POSITIONS AND WILL ALSO CONTRIBUTE TO A REDUCTION IN OVERHEAD COSTS. THE POSITIONS SAVED AS A RESULT OF THESE TWO REORGANIZATIONS WILL BE USED BY THE VCS TO RETAIN SOME OF THE ESSENTIAL CANTEEN SERVICES PROVIDED AT VA MEDICAL CENTERS.

CANTEEN EMPLOYMENT HAS BEEN SUBJECT TO AGENCY CEILING LIMITATIONS SINCE 1969. THE COSTS OF CANTEEN EMPLOYMENT, INCLUDING SALARIES AND THE AGENCY SHARE OF EMPLOYEE BENEFITS, ARE PAID BY THE VCS OUT OF NONAPPROPRIATED FUNDS.

THE VCS IS REQUIRED, BY THE PROVISIONS OF OMB CIRCULAR A-34, TO MAINTAIN MANY MILLIONS OF DOLLARS IN CASH IN THE TREASURY TO COVER OPEN ORDERS FOR MERCHANDISE, EQUIPMENT AND OTHER OBLIGATIONS. LAST YEAR, THE VCS REVOLVING FUND HAD AN AVERAGE BALANCE OF APPROXIMATELY $16 MILLION IN THE TREASURY. WE ESTIMATE THAT THE TREASURY EITHER EARNED OR SAVED $2 MILLION IN INTEREST AS A RESULT OF THIS ARRANGEMENT.

THE VCS CONTINUES TO BE FINANCIALLY SOUND. THE SERVICE EARNED A NET INCOME OF $1,578,000 IN FY 1981 ON TOTAL SALES OF $152 MILLION OR JUST UNDER ONE PERCENT. THE VCS CLOSED THE FISCAL YEAR WITH AN UNOBLIGATED BALANCE OF $4.2 MILLION IN THE VCS REVOLVING FUND. THIS AMOUNT IS WITHIN THE GUIDELINES WE HAVE ESTABLISHED TO FUND THE COMMITMENTS AND NEEDS OF THE SERVICE FOR THE UPCOMING FISCAL YEARS.

GENERAL POST FUND

THE GENERAL POST FUND IS A TRUST FUND AUTHORIZED BY STATUTE. GENERAL POST FUND ACCOUNTS MAY BE ESTABLISHED AND MAINTAINED AT EACH VA FACILITY HAVING A MEDICAL CENTER, DOMICILIARY, NURSING HOME OR CLINIC ACTIVITIES TO ASSIST VETERANS RECEIVING CARE AND MAINTENANCE AT SUCH FACILITIES. THE SOURCE OF REVENUE FOR OPERATION OF THE GENERAL POST FUND IS DONATIONS BY INDIVIDUALS, SERVICE ORGANIZATIONS AND CORPORATIONS. DONATIONS AT EACH FACILITY ARE IDENTIFIED AS "GENERAL PURPOSE" OR "EARMARKED" IN CONFORMANCE WITH THE DONOR'S GENERAL, OR SPECIFIC EARMARKED DESIGNATION.

THE DEPARTMENT OF MEDICINE AND SURGERY HAS PROGRAM RESPONSIBILITY FOR ADMINISTERING THE GENERAL POST FUND WHICH INCLUDES:

- ISSUING GUIDELINES TO MEDICAL CENTERS.

- MAINTAINING A RESTRICTED CASH ACCOUNT.

- MANAGING CASH INVESTMENTS.

AS OF MARCH 31, 1982, THE GENERAL POST FUND CASH BALANCES WERE $7,729,561.87 AT VA MEDICAL CENTERS AND $496,203.44 RESTRICTED IN VACO.

DISTRIBUTION OF GENERAL POST FUND ALLOTMENTS IS DETERMINED BY CENTRAL OFFICE USING CENSUS DATA. THE RESTRICTED CASH ACCOUNT CONSISTS OF MONIES DONATED SPECIFICALLY TO THE AGENCY RATHER THAN TO A SPECIFIC VA FACILITY. THESE FUNDS ARE ALLOCATED TO THE MEDICAL CENTERS BASED UPON FACILITY NEEDS. OUTLAYS FROM THE GENERAL POST FUND HAVE GROWN FROM $2,487,000 IN 1971 TO $6,887,000 IN 1981. OUTLAYS FOR 1983 ARE ESTIMATED TO BE $7,400,000.

SECTION 5228 OF TITLE 38 USC PROVIDES THAT:

> "MONEY IN THE FUND NOT REQUIRED FOR CURRENT DISBURSEMENTS MAY BE INVESTED AND REINVESTED BY THE SECRETARY OF THE TREASURY IN INTEREST BEARING OBLIGATIONS OF THE UNITED STATES OR IN OBLIGATIONS GUARANTEED AS TO BOTH PRINCIPAL AND INTEREST BY THE UNITED STATES."

THE CURRENT INVESTMENTS WHICH CONSIST OF U.S. TREASURY BONDS AND TREASURY BILLS TOTAL $4,857,000.

THE CURRENT VA POLICY IN REGARD TO MAKING GENERAL POST FUND MONIES AVAILABLE FOR INVESTMENT READS IN PART:

> "WHEN DIRECTORS DETERMINE THAT THE UNOBLIGATED BALANCES OF SPECIFIC DONATIONS AMOUNTING TO $1,000 OR MORE WILL NOT BE OBLIGATED OR EXPENDED DURING THE PERIOD OF 6 MONTHS FROM DATE OF RECEIPT, CENTRAL OFFICE WILL BE ADVISED OF THE AMOUNT OF FUNDS AVAILABLE FOR WITHDRAWAL FOR INVESTMENT. SUCH FUNDS WILL BE RETURNED TO THE FACILITY UPON SPECIAL REQUEST TO THE DM&S RESOURCE MANAGEMENT SERVICE, CENTRAL OFFICE."

A SPECIFIC DONATION TO THE GENERAL POST FUND IS ANY GIFT, BEQUEST, DEVICE, OR DONATION RECEIVED BY A VA STATION FOR THE EXCLUSIVE BENEFIT OF VETERAN BENEFICIARIES AT THE STATION WHICH RECEIVED THE REMITTANCE, WHETHER OR NOT THE DONOR HAS DESIGNATED A SPECIFIC USE FOR THE DONATION. WE RECEIVE A SUBSTANTIAL VOLUME OF FUNDS PROVIDED BY PRIVATE FOUNDATIONS, CORPORATIONS, OR OTHER ORGANIZATIONS FOR RESEARCH PURPOSES. THESE FUNDS ARE ADMINISTERED THROUGH THE GENERAL POST FUND AT THE RECEIVING MEDICAL CENTER ACCORDING TO THE FOLLOWING POLICIES AND PROCEDURES:

- GIFTS OR DONATIONS MAY BE RECEIVED FOR RESEARCH IN THE GENERAL POST FUND WITH THE APPROVAL OF THE FACILITY'S RESEARCH AND DEVELOPMENT COMMITTEE AND THE FACILITY DIRECTOR. DONATIONS TO THE RESEARCH GENERAL POST FUND ARE TO BE ASSIGNED TO THE FACILITY DIRECTOR FOR RESEARCH SUPPORT WITHIN THE FACILITY, NOT TO DESIGNATED INVESTIGATORS. THESE INCLUDE DONATIONS OF EQUIPMENT OR SUPPLIES AS WELL AS FUNDING BY NON-PROFIT FOUNDATIONS, PRIVATE DONORS, AND COMPANIES. THE FUNDING MAY BE ADMINISTERED BY THE VA HEALTH CARE FACILITY USING THE GENERAL POST FUND.

- THE RESEARCH AND DEVELOPMENT COMMITTEE MUST CONCUR IN WRITING FOR RESEARCH GENERAL POST FUND DISTRIBUTIONS.

- RESEARCH GENERAL POST FUND MONEY MAY NOT BE TRANSFERRED BETWEEN MEDICAL CENTERS.

- THE PRINCIPAL INVESTIGATOR WILL INITIATE A REQUEST TO USE RESEARCH GENERAL POST FUNDS FOR RESEARCH AND DEVELOPMENT COMMITTEE-APPROVED RESEARCH PROJECTS TO THE ACOS/R&D (IF APPOINTED).

- THE REQUEST WILL BE PRESENTED TO THE FACILITY'S RESEARCH AND DEVELOPMENT COMMITTEE AND THE REQUEST WILL BE RECORDED IN THE RESEARCH AND DEVELOPMENT COMMITTEE MINUTES.

- THE RESEARCH AND DEVELOPMENT COMMITTEE CHAIRMAN WILL INITIAL APPROVED REQUESTS AND THE ACOS/R&D OR CHIEF OF STAFF WILL BE THE SIGNATURE AUTHORITY (IF SO DESIGNATED BY THE FACILITY DIRECTOR); SUCH APPROVING AUTHORITY CAN BE DELEGATED ONLY TO THE CHIEF OF STAFF OR THE ACOS/R&D.

DURING THE 12-MONTH PERIOD ENDING ON JUNE 30, 1981, $5,891,000 WAS DONATED FOR RESEARCH PURPOSES.

MR. CHAIRMAN, THAT CONCLUDES MY REMARKS. MY COLLEAGUES AND I WILL BE PLEASED TO RESPOND TO ANY QUESTIONS YOU MAY HAVE REGARDING THESE MATTERS.

House of Representatives

Committee on Veterans Affairs
Subcommittee on Oversight and Investigation

May 12, 1982

Testimony of Richard P. Schmidt, M.D.
President, State University of New York
Upstate Medical Center

Chairman, Special Medical Advisory Group
of the Veterans Administration

Mr. Chairman, Honorable Members of the Committee:

It has been my considerable privilege to serve the Veterans Administration as a member of the Special Medical Advisory Group (SMAG) and currently as Chairman. In the former capacity, I chaired the Subcommittee on Academic Affairs.

In the past several years, the SMAG has begun a new relationship with the Congress and with constituent veterans organizations. Our second annual report to Congress will be submitted within 10 days and it has been our privilege to have representatives of this Committee attend our meetings. We were honored last year to have the chairman of the House Veterans Affairs Committee with us along with a representative of the Senate Committee on Veterans Affairs. We have, furthermore, invited comments from, and granted privilege of the floor to veteran representatives during our formal meetings.

Meetings of the SMAG are scheduled twice a year, although we missed our schedule during the period in which our legal status was in question and again in 1981 when the budget was in limbo. In order to address certain important subjects, we have, therefore, formed ad hoc committees and task forces to review areas of our concern in depth. I will briefly review several of these.

Task Force on Eligibility

The SMAG has observed that there is considerable confusion as to the laws and regulations governing entitlement and eligibility for

medical care delivered by the Department of Medicine and Surgery. For that reason, we recommended that a task force update a previous study completed in 1974. Dr. Richard M. Ryan, Jr., a member of SMAG, participated in the deliberation and provided liaison with our committee. I submitted this report to the Chairman of the House and Senate Veterans Affairs Committees in December 1981 and have met with staff for further discussion. The SMAG believes this to be of great importance but recognizes it to be a very complex and sensitive issue.

Affiliations

A Task Force on Affiliations, under the Chairmanship of Dr. Matthew F. McNulty, Jr., is currently active and is expected to deliver a comprehensive report at our next meeting in the Fall of 1982. As the members of this committee know, there are extensive affiliations between VA medical centers and universities. Affiliations with academic centers have been of mutual benefit to the VA in its mission of providing high-quality care and to the teaching institutions in educating health manpower for the VA and for national needs.

The members of our committee believe that the benefits of affiliations must be preserved, but recognize that strengths and levels of affiliation vary considerably from one type of hospital to another.

Planning

The Department of Medicine and Surgery has engaged in an extensive new planning effort, termed Medical District Initiated Program Planning (MEDIPP). This has been reviewed in the last two meetings of SMAG, most recently on January 28, 1982. Substantial progress has been made and process goals have been met. It is my understanding that the MEDIPP process has been reviewed by staff of the House Committee on Veterans Affairs.

The SMAG recognize the great importance of MEDIPP and will again receive a progress report at its fall meeting.

Research

The SMAG has a regular standing Subcommittee on Research currently chaired by Dr. Ernest M. Burgess of Seattle. This subcommittee reviews research policy, management and general results. It does not serve a review body for individual projects.

The VA can be justly proud of its research program. The SMAG has most recently expressed its concern over reductions in budget and fear that it may be further effectively reduced by a requirement that intramural research funds be allocated by contract to external agencies. VA research is intrinsic to its care mission and the latter may suffer from its reduction.

Conclusion

I have not attempted to review all of the agenda of the Special Medical Advisory Group. We are advisory to the Administrator and to the Chief Medical Director but have felt free to act independently. We also will be pleased to respond to the Committees on Veterans Affairs of the House and Senate.

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